

# Preface

**O**ur confidence in freedom as a liberating moral force and the foundation of true democracy has never been stronger. The victory of political freedom as a universal ideal advances and continues to drive revolutionary change throughout the world. Now, as we progress into the 21st century, more countries understand the importance of adopting institutional frameworks to enhance their citizens' economic freedom. The link between economic freedom and prosperity has never been clearer. People around the world are demanding that their governments support and maintain economic environments that provide the best chance for economic growth and the creation of wealth.

A country's level of economic freedom reflects the ability of ordinary citizens to make economic decisions on their own. It includes the freedom to choose a job, start a business, work where one chooses, borrow money, and use a credit card. It ranges from buying a house to having a choice in health care, from being fairly

taxed to being treated justly by the courts. The higher the economic freedom in a country, the easier it is for its people to work, save, invest, and consume.

Yet the struggle for economic freedom faces determined opposition. Tariffs are just one example of protectionism that never lacks champions, and those who want special privileges will always pressure societies to expand the size and weight of government intervention. Special privileges for the few mean less prosperity for the many.

The *Index of Economic Freedom* has documented the link between economic opportunity and prosperity with research and analysis for 14 years. Published jointly by The Heritage Foundation and *The Wall Street Journal*, the *Index* has painted a global portrait of economic freedom and established a benchmark by which to gauge a country's prospects for economic success. It follows a simple tenet: Something cannot be improved if it is not measured. Tracing the path to economic prosperity, the annual *Index*

continues to serve as a critical tool for students, teachers, policymakers, business leaders, investors, and the media. The findings of the *Index* are clear and straightforward: Countries with an enduring commitment to economic freedom enjoy greater prosperity than do those with less economic freedom.

The 2008 *Index*, covering 162 countries, shows that economic freedom worldwide continues to advance steadily, albeit at a slower rate than one might hope. In this 14th edition, most of the 20 freest countries from last year are still ranked among the freest, while others in the middle of the pack have experienced some shuffling as a result of varying efforts at reform.

Europe, Asia, and the Americas are the three freest regions. Asia has both the world's freest economy and its least free economy. More than half of the top 20 freest countries are found in Europe, and the Americas are home to some of the richest and most dynamic countries in the world.

For countries pursuing sustainable prosperity, the *Index* reveals that both policy direction and commitment to economic freedom matter. For example, the erosion of economic freedom in the Americas reflects some countries' reversals of free-market policies and stalled pursuit of economic freedom. Venezuela, in particular, is risking long-run economic failure as President Hugo Chávez takes the country further down an anti-free market path.

The 2008 *Index* contains three notable guest chapters written by outside scholars. A chapter by Carl Schramm, President and CEO of the

Ewing Marion Kauffman Foundation, highlights the importance of economic fluidity and how it fosters innovation and entrepreneurship as a crucial element of economic freedom. Professor Stephen Parente of the University of Illinois at Urbana-Champaign documents the necessity of dismantling barriers to economic catching-up so that all economies can have the chance to flourish in the 21st century. Guy Sorman, a French journalist and author, reminds us of six major characteristics of the globalization that we enjoy today and of the potential threats to it.

This edition also contains a chapter analyzing each of the five geographic regions—a focus that matters for local competition. And, of course, this edition includes our traditional country pages with new charts highlighting the changes in each economy's economic freedom and detailed explanations analyzing each of the freedoms.

As our *Index* has demonstrated again in this edition, economic freedom is the key to creating an environment that allows a virtuous cycle of entrepreneurship, innovation, and sustained economic growth to flourish. Leaders who commit to expanding economic freedom will realize the fruits of their labor. For citizens living in such a country, increased economic freedom will improve their standard of living, make their daily lives more stable, and help to ensure a bright future for their families.

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